
News Release

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REGIONAL ECONOMIC FORECAST CONFERENCE CITES INFRASTRUCTURE, HOUSING AS KEY TO LONG-TERM ECONOMIC VIABILITY

SCAG Conference Also Marked by State Award of \$1.25 Million to SCAG for Regional Blueprint Planning Initiative

ARCADIA, CALIF. – Economic experts presented a cautiously optimistic outlook for economic growth in Southern California at the ninth Annual Regional Economic Forecast Conference, held today at the Santa Anita Racetrack and sponsored by the Southern California Association of Governments (SCAG). Despite relatively strong job growth figures, however, several participants cited the importance of addressing critical transportation infrastructure and housing needs to bolster Southern California's position as a global gateway. More than 150 local elected officials and staff, public agencies, private sector executives and academics were on hand as experts reported on the region's economic future. The forecasts, compiled by SCAG in partnership with California State University, Fullerton (CSUF) and California State University, Long Beach (CSULB), are the only projections to focus on the short-term economic outlook (2006-2007) for the entire region (Imperial, Los Angeles, Orange, Riverside, San Bernardino, and Ventura Counties).

Earlier this month, SCAG's 2005 State of the Region report gave Southern California's transportation network an "F" grade for the first time, citing increasing congestion problems that could eventually hinder the economy by slowing the flow of goods to and from the Ports of Los Angeles and Long Beach. The State of the Region also cited ongoing challenges in terms of housing affordability and availability, and per capita income continues to rank last among the nation's largest metropolitan areas.

However, optimism for long-term economic growth was expressed throughout today's conference, particularly in the wake of the Gov. Schwarzenegger's announcement to undertake a historic infrastructure bond measure that will alleviate traffic congestion, facilitate the flow of goods, and encourage housing and economic development around transportation corridors. Many of the conference speakers spoke to the importance of state and local governments working with the private sector to implement an integrated transportation, land use and housing strategy that supports the region's economic strengths. With the ports handling more than 40 percent of the nation's cargo container traffic, the trade and transportation sectors continued to post some of the region's strongest job gains this past year, but future job gains in the area could be impacted if congestion worsens or if the workforce can no longer afford a home.

"We need a concerted effort to invest in infrastructure, craft public-private partnerships, and focus housing and economic activities more strategically around our transportation network if we are to sustain our economy and lay the foundation for Southern California to become a truly global gateway," stated Toni Young, Port Hueneme City Councilmember and SCAG President.

"When trade and other institutional barriers are lowered and an integrated transportation system is developed, this region will function as one of the most powerful economic centers in the global economy," stated Jon Edney, event moderator, El Centro City Councilmember and SCAG

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Regional Councilmember. “But to get to that point, we need to act now to start improving Southern California’s road and rail infrastructure.”

As part of today’s economic conference, California Business, Transportation and Housing Agency Secretary Sunne Wright McPeak awarded SCAG with a Regional Blueprint Planning Program grant of \$1.25 million to support Southern California Compass, SCAG’s ongoing growth visioning effort to foster consensus by regional leaders, local governments and stakeholders on a preferred growth scenario - or "blueprint" - for a 20-year planning horizon. The grant will help SCAG work with local communities to deal with future housing, congestion and air quality challenges, driven by population growth, changing demographics, the economy and environmental concerns.

“Awarding the Regional Blueprint Planning grant to SCAG indicates the state’s strong support for SCAG’s efforts to improve Southern Californians’ quality of life with better land use patterns that lead to more effective transportation infrastructure, housing, economic development and environmental quality,” stated McPeak.

Southern California is outperforming the Bay Area region in nearly all of business measurement, including job growth, income growth, consumer spending, export growth and home sales. The Inland Empire region has largely driven economic performance. However, a slowdown in job growth from 1.6 percent in 2005 to 1.1 percent in 2006 is expected due to weak growth in the region’s labor force and a weakening real estate sector. It is also anticipated that there will be a slowdown in housing construction after two consecutive years of housing permit issuance.

The CSULB forecast indicates that while the nation’s economy may be slowing down, Southern California’s economy is picking up steam. In 2005, the regional economy added 80,000 new jobs, growing at a rate of 1.2 percent. Over the next two years, CSULB estimates that the region will add 270,000 jobs. One of the region’s major growth areas involves goods movement, with activity at the Ports of Long Beach and Los Angeles projected to continue increasing. As a result, the transportation, warehousing and utilities sector is expected to add 12,000 in 2006 and 2007, while the trade sector will add 27,000 jobs over that time period. The region’s manufacturing sector is generating positive job growth after years in stagnation and decline.

The CSUF forecast estimates continued moderate growth for 2006, but the continuing escalation of housing prices in the region was cited as a growing economic concern. Household employment is estimated to have grown from 154,000 jobs in 2004 to 226,300 jobs in 2005. The high price of housing is becoming a factor in restraining business growth. In terms of employment, the leading sectors in job growth in 2005 were Construction and Professional and Business Services, accounting for 60 percent of the new jobs created. The average unemployment rate declined from six percent in 2004 to five percent in 2005, the lowest rate it has been since 2001. For 2006 and 2007, the CSUF Forecast predicts unemployment rates of 5.7% and 5.6%, respectively.

[Editor’s Note: For more detailed data on a county basis or additional information as well as to receive a copy of the Regional Economic Forecast for Southern California, call Jeff Lustgarten or Dan Witzling of Cerrell Associates at 323/466-3445.]